

**DESOTO PARISH FIRE PROTECTION
DISTRICT NO. 1
Logansport, Louisiana
FINANCIAL STATEMENTS
December 31, 2011**

DESOTO PARISH FIRE PROTECTION DISTRICT NO.1
Logansport, Louisiana

FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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Independent Auditor's Report

CERTIFIED PUBLIC ACCOUNTANT

Board of Commissioners
DeSoto Parish Fire Protection District No. 1
Logansport, Louisiana

I have audited the accompanying financial statements of the governmental activities and the major fund of the DeSoto Parish Fire Protection District No. 1, a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2011, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DeSoto Parish Fire Protection District No. 1's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the DeSoto Parish Fire Protection District No. 1 as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 26, 2012, on my consideration of the DeSoto Parish Fire Protection District No. 1's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Deborah D. Dees, CPA

Mansfield, Louisiana
July 26, 2012

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

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December 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the DeSoto Parish Fire Protection District No. 1, Logansport, Louisiana (Fire District), we offer the readers of our annual financial report this narrative overview and analysis of the Fire District's financial performance during the fiscal year that ended on December 31, 2011. We encourage readers to consider the information presented here in conjunction with the Fire District's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

The Fire District was determined to be a component unit of the DeSoto Parish Policy Jury. The accompanying financial statements present information only on the funds maintained by the DeSoto Parish Fire Protection District No. 1.

Financial Highlights

DeSoto Fire District No. 1 experienced an increase in its net assets of \$228,626 (5.63%) during the year ended December 31, 2011. At December 31, 2011, the assets of the Fire District exceeded its liabilities by \$2,228,010.

The Fire District's total general and program revenues were \$1,128,556 during the year ended December 31, 2011, compared to \$883,798 during year ended December 31, 2010.

Ad valorem tax revenue (property taxes) increased \$278,757 (35.62%) to \$1,061,451 during the year reported compared to an increase of \$120,443 from \$662,251 in 2009 to \$782,694 in 2010 or (18.19%).

The Fire District's governmental funds report total ending fund balance this year of \$1,044,483. This compares to the prior year ending fund balance of \$782,269, showing an increase of \$262,214 for the current year.

Overview Of Financial Statements

This Management Discussion and Analysis document introduces the DeSoto Parish Fire Protection District No. 1's basic financial statements. The Fire District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements include two types of financial statements that present different views of the Fire District--the **Government-wide Financial Statements** and the **Fund Financial Statements**. The **Notes to the Financial Statements** explain some of the information in the financial statements and provide additional detail. This report also contains additional required supplementary information--a budgetary schedule--in addition to the basic financial statements. These components are described below:

Government-wide financial statements. The government-wide financial statements report information about the Fire District as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements include two statements:

The *statement of net assets* presents information on all of the DeSoto Parish Fire Protection District No. 1's assets and liabilities, with the difference between the two reported as *net assets*. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fire District is improving or deteriorating.

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The *statement of activities* presents information showing how the DeSoto Parish Fire Protection District No. 1's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Government-wide financial statements can be found immediately following this discussion and analysis.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The DeSoto Parish Fire Protection District No. 1, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. DeSoto Parish Fire Protection District No. 1 has one governmental fund.

Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found immediately following the government-wide financial statements.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the funds financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The DeSoto Parish Fire Protection District No. 1 adopts an annual budget for the general fund. A budgetary comparison statement is provided for the general fund to demonstrate budgetary compliance.

Government-wide Financial Analysis

Net Assets

The comparison of net assets from year to year serves to measure a government's financial position. As of December 31, 2011, The Fire District's assets exceed its liabilities by \$2,228,010 (net assets). Approximately 46% of the Fire District's net assets reflect its investment in capital assets (firefighting equipment, fire trucks, water rescue equipment, buildings and improvements); less any related debt used to acquire those assets that is still outstanding (\$85,718). These net assets are not available for future spending.

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Unrestricted net assets of \$1,196,080 or 54% of total net assets as of December 31, 2011, may be used to meet the ongoing obligations to the citizens of DeSoto Parish Fire Protection District No. 1.

The following table provides a summary of the Fire District's net assets:

	Governmental Activities 2011	Governmental Activities 2010
ASSETS		
Cash	\$ 42,473	\$ 38,231
Ad valorem taxes receivable	1,091,154	832,810
Other receivables		14,571
Prepaid insurance	74,453	48,319
Capital assets, net of accumulated depreciation	1,117,647	1,211,594
Total assets	<u>\$ 2,325,727</u>	<u>\$ 2,145,525</u>
LIABILITIES		
Current payables	\$ 12,000	\$ 23,235
Capital leases payable	85,717	122,906
Total liabilities	<u>\$ 97,717</u>	<u>\$ 146,141</u>
NET ASSETS		
Investments in capital assets, net of related debt	\$ 1,031,930	\$ 1,088,688
Unrestricted	1,196,080	910,696
Total net assets	<u>\$ 2,228,010</u>	<u>\$ 1,999,384</u>

At December 31, 2011, \$1,117,647 or 50% of the Fire District's net assets reflects capital assets with a historical cost of \$2,839,665 less accumulated depreciation of \$1,722,018.

Total liabilities for the Fire District decreased over 33% or \$48,424 from 2010.

Changes in Net Assets

Comparative data for government-wide information is presented as it is accumulated and is presented to assist analysis in future years. The following schedule compares revenues and expenses for the current and previous years.

Note that program revenues covered less than 1% of the Fire District's operating expenses for year ended December 31, 2011. This means the Fire District's taxpayers and other general revenues funded 99.49% of its operations during the year.

Total revenues increased by 27.69% over last year. Approximately 94% of the Fire District's total revenues for 2011 came from property taxes, 3% from other state sources and 3% came through contributions and grants from the Ladies Auxiliary and other miscellaneous revenues. Ad valorem tax revenue in the Fire District increased by \$278,757, or 35.62%, reflecting an increase in the property tax revenue.

The function of the Fire District is public safety. Total expenses increased \$132,195 or 17.22% over the prior year. Of the total costs, depreciation on the equipment and buildings was \$204,949 or 23% of total expenses.

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A Summary of Statement of Activities is as follows:

	Governmental Activities	
	2011	2010
Program Revenues:		
Contributions and capital grants	\$ -	\$ 58,295
Contributions and operating grants	5,714	23,455
General Revenues:		
Ad valorem taxes	1,061,451	782,694
Intergovernmental revenues	37,768	15,761
Interest income	619	439
Gain on damaged asset	19,164	-
Other revenue	3,840	3,154
Total revenues	1,128,556	883,798
Expenses		
Public safety	893,932	757,550
Interest on debt	5,998	10,185
Total expenses	899,930	767,735
Increases (Decrease) in net assets	228,626	116,063
Net Assets beginning	1,999,384	1,883,321
Net Assets, ending	\$ 2,228,010	\$ 1,999,384

Financial Analysis of the Fire District's Government Funds

For the year ended December 31, 2011, differences between the government-wide presentation and the fund financial statements were due to acquisition of capital outlays, depreciation changes associated with capital assets, prepaid insurance, differences between debt payments and principal reduction, and deferred property tax revenue.

General Fund Budgetary Highlights

The Fire District adopted a budget for its General Fund for the year ended December 31, 2011. The budget was not amended. Actual revenues were \$450,136 more than the final budget. Total budgeted expenditures in the final budget were \$260,423(41%) more than the original budget. The Fire District failed to amend the budget to reflect the increase in expenses.

Debt Administration

Long-term debt for the Fire District decreased by \$37,189 in 2011. There was no additional debt incurred for 2011.

Capital Assets

The Fire District acquired \$131,146 in capital assets in 2011. The fire station in Longstreet was destroyed by a tornado during the year. A gain was recognized when insurance reimbursed the Fire District, and then the station was rebuilt. The Fire District also completed construction improvements on the Bethel station as well as added a new compressed air foam system.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

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Economic Factors And Next Year's Budget

For the fiscal year ending December 31, 2011, the following factors were considered when the budget was prepared:

- General and program revenues will remain consistent with the prior year.
- The Fire District does not expect to receive significant grant monies.
- Other expenditures are expected to remain steady with the prior year.

Contacting The Fire District

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the finances for those funds maintained by the DeSoto Parish Fire Protection District No. 1 and to show the Fire District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jack Canton, Fire Chief, at 300 Marshall Road, Logansport, Louisiana, 71049.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1
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STATEMENT OF NET ASSETS

December 31, 2011

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 42,473
Accounts receivable	1,091,154
Prepaid expenses	74,453
Capital assets, net of depreciation	<u>1,117,647</u>
TOTAL ASSETS	\$ <u>2,325,727</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 5,985
Payroll liabilities	6,015
Capital leases payable, due within one year	<u>38,984</u>
Total current liabilities	50,984
Long-term liabilities:	
Capital leases payable	<u>46,733</u>
TOTAL LIABILITIES	\$ <u>97,717</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,031,930
Unrestricted	<u>1,196,080</u>
TOTAL NET ASSETS	\$ <u>2,228,010</u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1
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STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Function/Program	Expenses	Charges for Services	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
Public safety-fire	\$ 893,932	\$	\$ -	\$ 5,714	\$ (888,218)
Interest on debt	5,998				(5,998)
Total Governmental Activities	<u>\$ 899,930</u>	<u>\$</u>	<u>\$</u>	<u>\$ 5,714</u>	<u>(894,216)</u>
General Revenues:					
Ad valorem taxes					1,061,451
State revenue sharing					4,052
Interest earnings					619
Fire insurance rebate					12,716
Other income					24,840
Gain/(Loss) on sale of assets					19,164
Total General Revenues					<u>1,122,842</u>
Change in Net Assets					228,626
Net Assets Beginning					<u>1,999,384</u>
Net Assets Ending					<u>\$ 2,228,010</u>

FUND FINANCIAL STATEMENTS

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1
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BALANCE SHEET, GOVERNMENTAL FUNDS
December 31, 2011

	General Fund
ASSETS	
Cash and cash equivalents	\$ 42,473
Accounts receivable	<u>1,091,154</u>
TOTAL ASSETS	\$ <u>1,133,627</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 5,985
Payroll liabilities	6,015
Deferred ad valorem taxes	<u>77,144</u>
Total Liabilities	<u>89,144</u>
Fund Balances:	
Unassigned	<u>1,044,483</u>
Total Fund Balances	<u>1,044,483</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,133,627</u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1
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RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2011

Total Net Assets reported for Governmental Activities in the Statement of Net Assets are different because:

Fund Balances, Total Governmental Funds Statement C	\$ 1,044,483
Capital Assets used in governmental activities are not current financial resources and therefore, are not reported in the government funds	1,117,647
Prepaid expenses involve payment with current financial resources that are attributable to fiscal periods beyond the end of the current fiscal year	74,453
Deferred revenues are reported in the governmental funds but not in the Statement of Net Assets	77,144
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore, are not reported in the governmental funds	(85,717)
Net Assets of Governmental Activities, Statement A	<u>\$ 2,228,010</u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1
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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

	<u>General Fund</u>
Revenues	
Ad valorem taxes	\$ 1,064,389
Intergovernmental revenue- state funds	
Fire insurance rebate	12,716
State revenue sharing	4,052
State supplemental pay	21,000
Contributions	5,714
Other revenues	3,840
Interest income	619
Total Revenues	<u>1,112,330</u>
Expenditures	
Current:	
Public safety-fire	
Personal and related benefits	454,877
Materials and supplies	108,587
General and administrative	151,651
Capital outlays	131,146
Debt service:	
Principal payments	37,164
Interest expense	5,998
Total Expenditures	<u>889,423</u>
Net Change in Fund Balance before Other Financing Source	<u>222,907</u>
Other Financing Source	
Insurance proceeds	39,307
Total Other Financing Source	<u>39,307</u>
Net Change in Fund Balance	262,214
Fund balance, beginning of year	<u>782,269</u>
Fund balance, end of year	<u>\$ 1,044,483</u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1**Logansport, Louisiana****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS****TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2011

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Governmental Funds, Statement E	\$	262,214
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Governmental funds report expenses that involve payments with current financial resources, such as insurance, in the year in which it is paid. In the Statement of Activities, payments that are attributable to current periods are recognized.	26,158
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Capital outlays (\$131,146) less than depreciation expense (\$204,949)	(73,803)
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In the Statement of Net Assets only the gain from an insurance reimbursement from damaged assets is reported, whereas in the governmental funds, the gross proceeds is reported	(20,143)
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Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:

Payments on capital leases	37,164
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Because of the timing of actual receipt, some revenues are not considered "available" to pay current obligations and are not reported in the governmental funds.

Change in deferred ad valorem taxes	(2,964)
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Change in Net Assets of Governmental Activities, Statement B	\$	228,626
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NOTES TO THE FINANCIAL STATEMENTS

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

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NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2011

INTRODUCTION

DeSoto Parish Fire Protection District No. 1 was created by the DeSoto Parish Police Jury, as authorized by Louisiana Revised Statute 40:1492 on February 8, 1989. The Fire District is responsible for maintaining and operating fire stations and equipment, and providing fire protection and rescue services to approximately 3,500 residents in the southwest corner of the parish. The Fire District is governed by a five-member board appointed in accordance to LRS 40:1496 as follows: two members by the Police Jury, one member by the Town of Logansport, one by the Village of Longstreet, and one, the chairman, by the other four members. Board members serve without compensation. The Fire District is staffed by 12 full-time and part-time employees and about 45 volunteers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the DeSoto Parish Fire Protection District No. 1 have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, The DeSoto Parish Police Jury is the financial reporting entity for DeSoto Parish. The financial reporting entity consists of (a) the primary government (Police Jury), (b) organizations for which the primary government is financially accountable, (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the DeSoto Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Police Jury to impose its will on that organization and/or;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Police Jury.
2. Organizations for which the Police Jury does not appoint a voting majority but are fiscally dependent on the Police Jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

Because the Police Jury created the Fire District and has the ability to impose its will on the Fire District, the Fire District was determined to be a component unit of the DeSoto Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Fire District and do not present information on the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

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NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION

The Desoto Parish Fire Protection District No. 1's basic financial statements consists of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include the fund of the reporting entity, which is considered to be a governmental activity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipients for goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements (FFS)

The accounts of the Fire District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The one fund of the Fire District is classified as a governmental fund. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Fire District has only one fund, a governmental fund. A Fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The major governmental fund of the Fire District is described below:

General Fund. The General Fund, as provided by Louisiana Revised Statute 47:1906 is the primary operating fund of the Fire District and is used to account for the operations of the Fire District. The General fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Fire District's policy.

C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

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NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

The government-wide Statement of Net Assets and the Statement of Activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery) and financial position. All assets and liabilities (whether current or non-current) associated with its activities are reported. Government-wide fund equity is classified as net assets.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on its balance sheet. Their statement of revenues, expenditures, and changes in fund balance reports sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of available spendable financial resources during a given period. This approach is then reconciled, through adjustment, to a government-wide view of the operations.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are classified by source and expenditures are classified by function and character. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. The governmental funds use the following practices in recording revenues and expenditures:

Revenues. Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, attach as an enforceable lien, and become due and payable on the date the tax rolls are filed with the recorded of mortgages. State revenue sharing is recorded in the year the Fire District is entitled to the funds. Grants and interest income are recognized in the period in which they are earned.

Expenditures. Salaries and related benefits are recorded when employee services are paid. Purchases of various operating supplies are recorded as expenditures in the accounting period in which they are purchased. Substantially all other expenditures are recognized when the related fund liability is incurred.

D. ASSETS, LIABILITIES AND EQUITY

Cash and interest-bearing deposits

Cash includes amounts in demand deposits and interest-bearing demand deposits. Under state law, the Fire District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Fire District may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

Logansport, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid expenses in the Statement of Net Assets.

Accounts Receivable

Major receivables for the governmental activities include ad valorem taxes, state revenue sharing revenues and a forestry grant. Substantially all receivables are considered to be fully collectible, and no allowance for uncollectibles is used.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Fire District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Firefighting equipment	5-10 years
Fire trucks	15 years
Station equipment	5-10 years
Furniture and fixtures	5-20 years

Deferred Revenues

Deferred revenues arise when resources are received by the Fire District before it has a legal claim to them, as when ad valorem taxes are paid under protest to the tax collector. In subsequent periods, when the Fire District has a legal claim to the resource and revenue becomes available, the liability for deferred revenue recorded in the governmental fund's balance sheet is removed and the revenue is recognized.

Compensated Absences

The Fire District does not provide for the accumulation and vesting of leave.

Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

Logansport, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Balances

Beginning with fiscal year ending December 31, 2011, the Fire District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable*- amounts that are not in spendable form (such as prepaid expenses) or are legally or contractually required to be maintained intact,
- *Restricted*- amounts constrained to specific purposes by their providers (such as grantors, bondholders, or higher levels of government), through constitutional provisions, or by enabling legislation,
- *Committed*- amounts constrained to specific purposes by the Fire District itself, using its highest level of decision making authority, to be reported as committed, amounts cannot be used for any other purpose unless the Fire District takes the same highest level action to remove or change the constraint,
- *Assigned*- amounts the Fire District intends to use for a specific purpose, intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority,
- *Unassigned*- amounts that are available for any purpose, positive amounts are reported only in the general fund.

The Fire District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

The General Fund, the Fire District’s only governmental fund, has an unassigned fund balance of \$1,044,483.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

Logansport, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2011

2. CASH AND INTEREST-BEARING DEPOSITS

At December 31, 2011, the Fire District has cash and cash equivalents totaling \$42,473 (book balance) invested in interest and non-interest bearing accounts.

The cash and interest bearing accounts of the DeSoto Parish Fire Protection District No. 1 are subject to the following risks:

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under the state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount of deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement of the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Fire District that the fiscal agent has failed to pay deposited funds upon demand. Further Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Fire District's name.

At December 31, 2011, the First District has \$65,866 in deposits (bank balances). At December 31, 2011, these deposits were secured from risk by federal deposit insurance.

3. ACCOUNTS RECEIVABLE

The following is a summary of other receivables at December 31, 2011:

Ad valorem taxes	\$	1,079,038
State revenue sharing		1,357
Payroll taxes		10,759
Ladies auxiliary		3,000
	\$	<u>1,091,154</u>

4. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2011, are as follows:

<u>Governmental Activities</u>	<u>12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2011</u>
Vehicles	\$ 1,858,642	\$	\$	1,858,642
Buildings	398,417	74,653	(33,341)	439,729
Firefighting Equipment	376,696	50,507		427,203
Station Equipment	90,002	2,776		92,778
Furniture & Fixtures	18,103	3,210		21,313
Total	<u>2,741,860</u>	<u>131,146</u>	<u>(33,341)</u>	<u>2,839,665</u>
<u>Less Accumulated Depreciation</u>				
Vehicles	1,039,716	139,811		1,179,527
Buildings	139,565	11,979	(13,197)	138,347
Firefighting Equipment	266,016	48,444		314,460
Station Equipment	70,044	4,229		74,273
Furniture & Fixtures	14,925	486		15,411
Total	<u>1,530,266</u>	<u>204,949</u>	<u>(13,197)</u>	<u>1,722,018</u>
Capital Assets, Net	\$ <u>1,211,594</u>	\$ <u>(73,803)</u>	<u>(20,144)</u>	\$ <u>1,117,647</u>

Depreciation expense of \$204,949 was charged to the public safety function.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

Logansport, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2011

5. LEVIED TAXES

The Fire District levies taxes on real and business property located within the boundaries of the Fire District. Property taxes are levied by the Fire District on property values assessed by the DeSoto Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The DeSoto Parish Sheriff's office bills and collects property taxes for the Fire District. Collections are remitted to the Fire District monthly. The Fire District recognizes property tax revenues when levied.

The property tax calendar:

Assessment date	January 1, 2011
Levy date	June 30, 2011
Tax bills mailed	October 15, 2011
Total taxes are due	December 31, 2011
Penalties & interest added	January 31, 2012
Tax sale	May 15, 2012

The Fire District has authorized ad valorem tax millage of 15.00 mills and levied taxes of 15.64 mills for 2011. The difference between authorized and levied millages is the result of reassessments of taxable property within the parish as required by Louisiana Constitution Article VII, Section 18(F). This revaluation of all property is required to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2008. This millage is dedicated for acquisition and maintenance at 5.00 mills and construction and maintenance at 10.64 mills. Total assessed value in the Fire District was \$67,866,071 in 2011. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was a total of \$4,633,303 in 2011. Total of ad valorem tax revenues recognized in 2011 by the Fire District was \$1,064,389.

The following are the principal taxpayers for the Fire District (2011 amounts):

TAXPAYER	TYPE OF BUSINESS	ASSESSED VALUATION	% OF TOTAL ASSESSED VALUATION	AD VALOREM TAX REVENUE FOR FIRE DISTRICT
Comstock Oil & Gas	Oil & Gas	\$ 9,407,422	13.86%	\$ 147,132
TGG Pipeline Ltd.	Oil & Gas	8,251,184	12.16%	\$ 129,048
Beusa Energy, Inc.	Oil & Gas	6,467,320	9.53%	101,149
El Paso E&P Co LP	Oil & Gas	6,382,398	9.40%	99,821
Enterprise Gathering LLC	Oil & Gas	5,604,633	8.26%	87,656
XTO Energy	Oil & Gas	2,552,065	3.76%	39,914
Indigo Minerals	Oil & Gas	2,399,528	3.54%	37,529
Patterson UTI Drilling	Oil & Gas	2,309,800	3.40%	36,125
Total		\$ 43,374,350	63.91%	\$ 678,375

6. PENSION PLAN

Firefighter's Retirement System of Louisiana (FRS)

Plan Description.

Employees of the Fire District are members of the Louisiana Firefighters' Retirement System (FRS), a cost-sharing, multiple-employer, governmental defined benefit pension plan administered by a separate ten-member board of trustees.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

Logansport, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2011

6. PENSION PLAN (continued)

Membership in the Louisiana Firefighters' Retirement system is mandatory for all full-time firefighters employed by a municipally, parish, or fire protection district and who earn more than \$375 per month. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their average final salary for each year of creditable service, not to exceed 100 percent of their average final salary.

Average final salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and did not withdraw their employee contributions may retire at age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The FRS also provides death and disability benefits. Benefits are established or amended by state statute.

The FRS issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, P. O. Box 94095, Baton Rouge, Louisiana 70804, or by calling 225-925-4060.

Funding Policy.

Plan members are required by state to contribute 8% of their annual covered salary and the Fire District is required to contribute at an actuarially determined rate. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The employer contribution rate for year ended December 31, 2011, ranged from 14% to 21.5%. The Fire District's contribution to the FRS for the year ending December 31, 2011, was \$26,225, equal to the required contributions for the year.

7. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended December 31, 2011:

Long-term debt payable at December 31, 2010	\$	122,906
New debt issued		-
Less, payments made during the year		(37,164)
Total debt		85,742
Due within one year		(38,984)
Long-term debt payable at December 31, 2011	\$	<u>46,758</u>

The Fire District entered into a seven-year capital lease, with the option to purchase dated May 1, 2003, for a NO34 Pumper Truck. The lease calls for annual principal payments of \$15,641 to \$17,228 with interest paid annually at a rate of 4.95 percent.

The Fire District entered into an 8-year capital lease, with the option to purchase, dated January 4, 2007, for an International Truck. The lease calls for annual principal payments of \$19,034 to \$23,944 with interest paid annually at a rate of 5.673 percent.

The annual requirements to amortize the capital leases at December 31, 2011, including interest of \$15,279 are as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>
2012	38,984	4,679
2013	22,813	2,621
2014	23,944	1,347
Total	<u>\$ 85,742</u>	<u>\$ 8,646</u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

Logansport, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2011

8. ON-BEHALF PAYMENTS FOR SALARIES

The Fire District recognizes as revenues and expenses, supplemental pay paid by the State of Louisiana to the Fire District's employees. For the year ended December 31, 2011, the state contributed \$21,000.

9. RISK MANAGEMENT

The Fire District is exposed to various risks of loss related to limited torts, theft of or damage to and destruction of asset and errors and omissions. To handle some of the risk, the Fire District maintains surety bond coverage. No settled claims from these risks have exceeded insurance coverage in the last three years. There were no significant changes to insurance coverage during the year ended December 31, 2011.

10. LITIGATION

There is no litigation pending against the Fire District, at December 31, 2011, nor is it aware of any unasserted claims.

11. RELATED PARTY TRANSACTIONS

FASB 57 requires the disclosure of the description of the relationship, the transactions, the dollar amount of the transactions, and any amounts due to or from that result from related party transactions. During the year the Fire District employed the son of the Fire Chief as a consultant at a cost to the Fire District of \$11,250.

12. COMPENSATION PAID TO BOARD MEMBERS

The members of the Board of Commissioners of the Fire District receive no compensation for their services.

13. SUBSEQUENT EVENTS

Management has evaluated events through July 26, 2012, which is the date the financial statements were available. There were no subsequent events that required disclosure.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1
Logansport, Louisiana
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Ad valorem taxes	\$ 670,000	\$ 670,000	\$ 1,064,389	\$ 394,389
Intergovernmental revenue- state funds				
Fire insurance rebate	12,000	12,000	12,716	716
State and other grants	4,000	4,000	25,052	21,052
Contributions	-	-	5,714	5,714
Other revenues	15,000	15,000	3,840	(11,160)
Interest income	500	500	619	119
Total Revenues	<u>701,500</u>	<u>701,500</u>	<u>1,112,330</u>	<u>410,829</u>
Expenditures				
Current:				
Public safety-fire				
Personal and related benefits	380,000	380,000	454,877	(74,877)
Materials and supplies	85,000	85,000	108,587	(23,587)
General and administrative	95,800	95,800	151,651	(55,851)
Capital outlays	25,000	25,000	131,146	(106,146)
Debt service:				
Principal payments	36,500	36,500	37,164	(664)
Interest expense	6,700	6,700	5,998	702
Total Expenditures	<u>629,000</u>	<u>629,000</u>	<u>889,423</u>	<u>(260,423)</u>
Net Change in Fund Balance before other financing sources	<u>72,500</u>	<u>72,500</u>	<u>222,907</u>	<u>150,406</u>
Other financing source				
Insurance proceeds	-	-	39,307	39,307
Total other financing source	<u>-</u>	<u>-</u>	<u>39,307</u>	<u>39,307</u>
Net Change in Fund Balance	72,500	72,500	262,214	189,714
Fund balances, beginning of year	<u>782,269</u>	<u>782,269</u>	<u>782,269</u>	<u>-</u>
Fund balances, end of year	<u>\$ 854,769</u>	<u>\$ 854,769</u>	<u>\$ 1,044,483</u>	<u>\$ 189,714</u>

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1
Logansport, Louisiana
NOTES TO BUDGETARY COMPARISON SCHEDULE
December 31, 2011

Budgetary Information

The Fire District is required by state law to adopt an annual budget. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

A proposed budget is prepared by the governing board in November and made available for public inspection no later than 15 days prior to December 31, of each year. In open meeting prior to December 31, the budget is adopted and becomes part of the official minutes of the Fire District.

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The proposed budget for the General Fund is prepared on the modified accrual basis of accounting. The Louisiana Local Government Budget Act provides that "the total proposed expenditures shall not exceed the total of estimated funds available for the ensuring year". The "total estimated funds available" is the sum of the respective estimated fund balances at the beginning of the year and the anticipated revenues for the current year.

Once a budget is approved, it can be amended by approval of a majority of the Board. Amendments are presented at a regular open meeting for Board approval. The budget comparison schedules present the original adopted budget and the final amended budget. The Fire District did not amend the budget during the year.

OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

The following independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* is presented in compliance with requirements of *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

**Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An
Audit Of Financial Statements Performed In Accordance With
Government Auditing Standards**

DeSoto Parish Fire Protection District No. 1
Logansport, Louisiana

I have audited the financial statements of the governmental activities and the major fund of the DeSoto Parish Fire Protection District No. 1 as of and for the year ended December 31, 2011, which collectively comprise the DeSoto Parish Fire Protection District No. 1's basic financial statements and have issued my report thereon dated July 26, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the DeSoto Parish Fire Protection District No. 1's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DeSoto Parish Fire Protection District No. 1's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Fire District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses and are listed as 2011-01 and 2011-02.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency and is listed as 2011-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DeSoto Parish Fire Protection District No. 1's basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under

Government Auditing Standards, and which are described in the accompanying schedule of findings and responses as items 2011-04; 2011-05; 2011-06; 2011-07.

DeSoto Parish Fire Protection District No. 1's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit management's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of DeSoto Parish Fire Protection District No. 1 Commissioners and management, and the Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is a public document and its distribution is not limited .

Aelrah A. Ales, CPA

Mansfield, Louisiana
July 26, 2012

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

Logansport, Louisiana

Schedule of Findings and Responses
For the Year ended December 31, 2011

Part I. Summary of Auditor's Results

INDEPENDENT AUDITOR'S REPORT:

I have audited the basic financial statements of the DeSoto Parish Fire Protection District No. 1 as of and for the year ended December 31, 2011, and have issued my report thereon dated July 26, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2011, resulted in an unqualified opinion.

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER THE FINANCIAL REPORTING:

Internal Control

Significant Deficiency

☒ Yes

☐ No

Material Weaknesses

☒ Yes

☐ No

Compliance

Compliance Material to Financial Statements

☒ Yes

☐ No

A management letter was not issued.

FEDERAL AWARDS

Not applicable

Part II. Findings relating to the Financial Statements which are required to be Reported under *Government Auditing Standards*.

FINDINGS RELATED TO INTERNAL CONTROL

2011-01. Inadequate design of internal control over financial statement preparation.

Criteria: In the past, auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 112 expands management's responsibility to ensure the propriety and completeness of the financial statements and related footnotes.

Finding: The Desoto Parish Fire Protection District No. 1's staff responsible for preparation of the financial statements and related footnote disclosure in accordance with generally accepted accounting principles (GAAP) lacks the resources and/or knowledge necessary to internally complete the reporting requirements.

Recommendation: The Fire District should either: 1) obtain the resources and/or knowledge necessary to internally prepare or review the auditor's preparation of the financial statements and related footnote disclosures in accordance with GAAP, or 2) determine if the cost of 1) overrides the benefit of correcting this control deficiency.

Management's Response: Based upon the cost versus benefit of obtaining the necessary resources and/or training, management has determined it is not cost effective and in our best interest to continue to outsource this task to the independent auditor, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

Logansport, Louisiana

Schedule of Findings and Responses

For the Year ended December 31, 2011

2011-02 Inadequate segregation of duties

Criteria: Good internal control requires that different personnel be assigned to authorize transactions, record transactions, and maintain custody of assets.

Finding: Employees of the Fire District perform related accounting functions.

Recommendation: The Fire District's Board of Commissioners should be more engaged in the oversight of the Fire District's finances. They should require the Fire Chief to provide timely financial information and original bank statements should be reviewed at the monthly meetings.

Management's Response: We concur with the finding.

2011-03 Lack of adequate documentation to support credit card charges.

Criteria: Using credit cards is a risk factor that could provide opportunities for management or employees to misappropriate assets. The credit card statement should include adequate documentation to provide enough detail to support the propriety of the charges.

Finding: Paid monthly credit card statements are not properly supported with the itemized/detailed receipts or other appropriate documentation attached. The business purpose is not clearly documented for all charges appearing on the credit card statements nor is the person making the purchases identified.

Recommendation: The Board of Commissions should pass a written credit card policy. Then management should exercise more control over the credit card and its usage and document the expenditures by attaching the detailed receipts to the monthly paid statements.

Management's Response: We will monitor the credit card usage and accumulate the receipts for proper documentation.

FINDINGS RELATED TO COMPLIANCE

2011-04 Violation of State Audit Requirement

Criteria: The Fire District is subject the R.S. 24:513(A)(5)(a), requiring "audits be completed within six months of the close of the entity's fiscal year."

Finding: The DeSoto Parish Fire Protection District No. 1's annual financial audit was not completed and filed with the Louisiana Legislative Auditor on or before June 30, 2012.

Condition: The complete financial records were not available for the audit to be completed in a timely manner.

Recommendation: The annual financial statements should be issued on or before June 30 in accordance with the requirements of Louisiana Revised Statute 24:513(A)(5)(a). The Fire District should have their records available for the auditor in a timely manner so that the audit can be completed by the due date.

Management's Response: The ladies auxiliary did not provide the records and source documents as needed in a timely manner. During 2012, these will be provided quarterly to the auditor as filed.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1

Logansport, Louisiana

Schedule of Findings and Responses

For the Year ended December 31, 2011

2011-05. Violation of Local Government Budget Act

Criteria: The Fire District is subject to R.S. 39:1301 "Local Government Budget Act" which includes R.S. 39:1317 "Budgetary authority and control."

Finding: Total actual expenditures within the general fund exceeded the total budgeted expenditures by more than 5%.

Condition: The fire chief failed to advise the governing authority when the total actual expenditures exceeded the total budgeted expenditures by 5% or more and therefore, the budget was not amended.

Recommendation: Management and the Board should familiarize themselves with the Local Government Budget Act and R.S. 39:1311 concerning budgetary authority and control.

Management's Response: We will be more cognizant of the expenditures and familiarize ourselves with the Local Government Budget Act concerning variances and amendments.

2011-06. Violation of Code of Ethics for Public Employees--Nepotism

Criteria: As per R.S. 42:1119B(1), "No member of the immediate family of a member of the governing authority, or the chief executive of the governmental entity is to be employed by the governmental entity."

Finding: The Fire Chief's son was employed as a consultant for the Fire District during the year.

Condition: A W-2 was issued to the Fire Chief's son for \$11,250 for the year ended December 31, 2011.

Recommendation: This was a finding in the prior audit and when the Board became aware of the issue in mid-year the son was terminated as recommended.

Management's Response: The Board took action at the time of the first finding. The son was terminated as soon as the issue was discovered.

2011-07. Violation of the Open Meetings Law as it pertains to Minutes

Criteria: As per R.S. 42:20(A)(3) "All public bodies shall keep written minutes of all of their open meetings." "The substance of all matters decided...a record of any votes taken." And R.S.43:171(A)(1) states "political subdivisions of....parishes, shall have the proceedings of their board....published in a newspaper.

Finding: The minutes of the proceedings of the Board of Directors of the DeSoto Parish Fire Protection District No. 1 lack the substance of the matters brought before it and lack consistency and continuity in regards to how issues are resolved from one meeting until the next. Also, the minutes are not published in a newspaper.

Recommendation: Management and the Board should become familiar with Title 43 of the Revised Statutes concerning the general principles and guidelines of the Louisiana "Open Meetings Law."

Management's Response: The Board will acquire the necessary information concerning the Open Meetings Law of Louisiana and will record and review the board minutes so they will more closely reflect the business that comes before the Board and the votes taken. A newspaper will be selected and the minutes will be published as required.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 1
Logansport, Louisiana
Schedule of Prior Year Findings
For the Year ended December 31, 2011

2010-01, 2009-01, 2008-01. Financial Statement preparation. *Unresolved*. See Finding 2011-01

2010-02, 2009-02, 2008-02. Segregation of duties. *Unresolved* see Finding 2011-02

2010-03 Violation of "public participation" in Local Government Budget Act. *Resolved*

2010-04 Violation of State Audit Requirement. *Unresolved*. See Finding 2011-04

2010-05 Nepotism. *Resolved*. See Finding 2011-06

2010-06 Violation of Open Meeting Law as it pertains to Minutes. *Unresolved*. See Finding 2011-07

July 26, 2012

CERTIFIED PUBLIC ACCOUNTANT

To the Commissioners of
DeSoto Parish Fire Protection District No. 1

I have audited the financial statements of the governmental activities of DeSoto Parish Fire District No. 1 for the year ended December 31, 2011, and have issued my report thereon July 14, 2012. Professional standards require that I provide you with the following information related to my audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter February 5, 2010, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

As part of my audit, I considered the internal control of DeSoto Parish Fire District No. 1. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of DeSoto Parish Fire District #1's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope previously communicated to you in my engagement letter dated February 5, 2010.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by DeSoto Parish Fire District No. 1 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

I was unable to obtain the necessary information from the ladies auxiliary in order to complete the audit before the June 30 deadline. I encountered no other significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a

result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated July 26, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.


Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention. The following clarify the audit findings and other issues that arose during the engagement.

- The Fire District's internal control over the financial statement preparation and lack of segregation of duties continue as audit findings. Unless the Fire District can outsource these responsibilities and thus probably incur additional costs, these findings will continue to be reported.
- The Fire District was not in compliance with the Louisiana Budget Act as noted in Finding 2011-05 in the Schedule of Findings and Responses of the audit report. The Fire Chief must notify the Board in writing when the budget needs to be amended.
- Since the 2009 audit, I have discussed with management the need to record more details in monthly Board of Commissioners minutes. There is a need for clarity and continuity of actions and decisions of the Board. For 2010, I reported a finding in the audit about the need for better minutes and that the minutes should be published in the local newspaper. It appears management and the Board chose not to comply with my recommendations.
- Although the Fire Chief's son employment was terminated at the time it was brought to the Board's attention last year, it was a continued finding because it was still an issue during half of 2011.
- The Ladies Auxiliary's activity is not part of this audit report, except that the expenditures and asset purchases are recorded as donations and expenses. However, the Board of Commissions does have the responsibility to oversee any activity carried on in the name of the Fire District.

This information is intended solely for the use of DeSoto Parish Fire Protection District No. 1 and its management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Deborah D. Dees, CPA